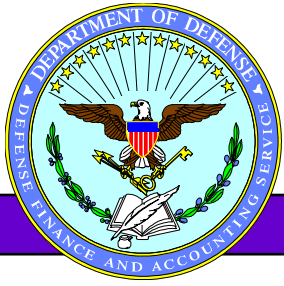


Privatization: *The Next Round*



***ASMC PDI
2000***

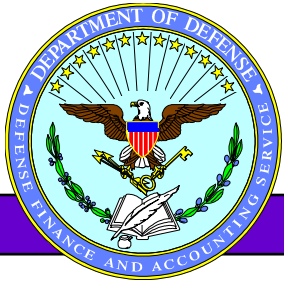
***Bruce M. Carnes
DFAS Deputy Director***



Agenda

- **Background-- DFAS**
- **DFAS A-76 Program**
- **Conclusion**



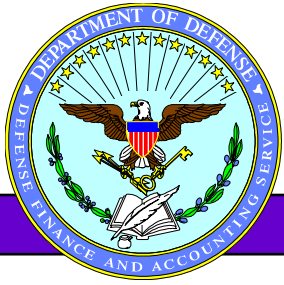


Defense Finance and Accounting

DFAS Mission:

Provide responsive, professional finance and accounting to the Department of Defense

- **DFAS consolidated, standardized, and streamlined operations**
- **DFAS remains focused on customer needs and continually strives to be their key financial partner**
- **DFAS will embrace emerging technology in modernizing systems and meeting new statutory requirements**

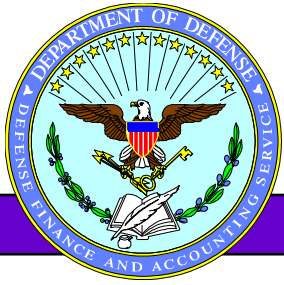


World's Largest Finance and Accounting Operation!

Annual figures

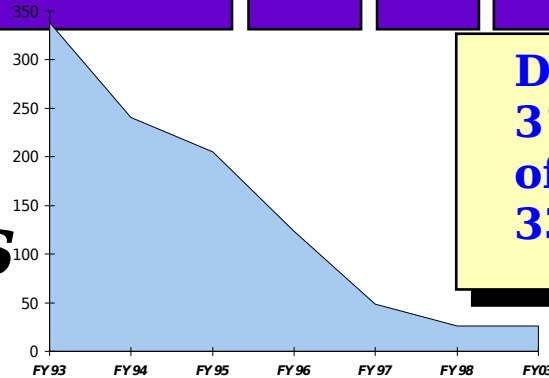
- 5.4M military, civilians, retirees, annuitants paid
- \$288B in disbursements
- \$222B in Foreign Military Sales Trust Fund
- \$162B Retirement Trust Fund manager
- 144M invoices paid
- 100M accounting transactions
- 5.4M travel payments
- 156 active DoD appropriations

**DoD is
Big
Business!**



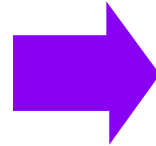
Past Initiatives

Consolidation of Operations



**DFAS closed
312 finance and accounting
offices worldwide
338 sites to 26**

Resource Reductions

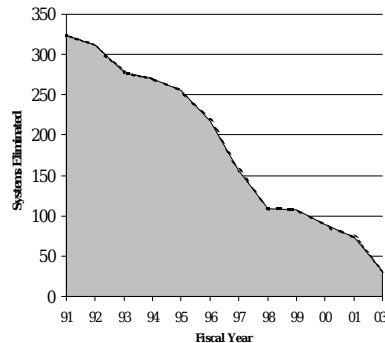


**Manpower will fall from
27K in 1993 to 17.5K in
2003**

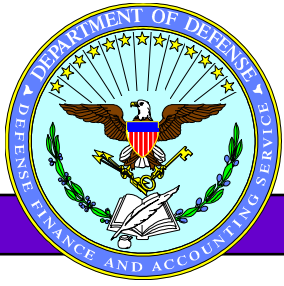
(35% reduction)

1993: 27,000 employees 1998: 20,000 2000: 18,775 2003: 17,500

Systems Standardization



**DFAS will reduce the number of
finance and accounting systems
from the 1991 baseline of 324
to 32 (77%) by 2003**



DFAS A-76 Program





DFAS A-76 Program

- Timeframe: FY 1998 through FY 2003
- DFAS directed to study 6,280 civilian positions
- \$100M and 1,132 workyears estimated savings



DFAS A-76 Strategy

- Examination by business area
 - **Definable**
 - **Severable**
 - **Definite Customer**
 - **Definite Products**
- Private sector capability
- Competitive commercial market
- Partnership with employees, unions, customers, military departments, and the private sector
- Best value



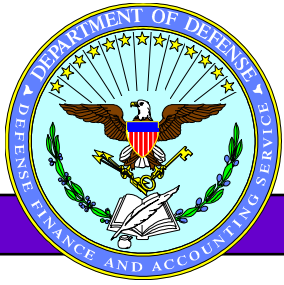
DFAS A-76 Process Improvements

- New process established
 - Enhance and potentially speed up competition
- Executive Steering Group chartered
 - Provides oversight and advice
- Two-team approach introduced - - PWS and MEO development



New 3-Step DFAS A-76 Process

- 3 Steps (versus the 2-Step A-76 process)
 - Step 1: Develop a comprehensive performance-based solicitation and determine private sector interest (new)
 - Step 2: Solicit private sector and government proposals
 - Step 3: Perform cost comparison--private sector vs. government proposal



DFAS A-76 Milestones

- Review private sector firm qualifications
- Issue draft RFP for private sector comment
- Issue RFP for private sector proposals
- Due diligence to select the best private sector proposals
- Select best private sector proposal to compete against government proposal
- Compete using A-76 rules

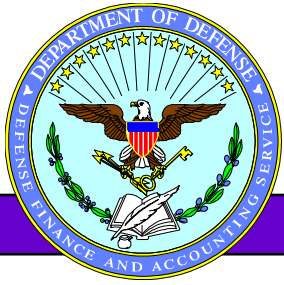


DFAS A-76 Study Results

<u>A-76 STUDIES</u>	<u>WORKYEARS</u>			<u>DOLLAR</u> <u>SAVINGS</u>	<u>SAVINGS</u> <u>BEGIN</u>
	<u>STUDIED</u>	<u>SAVED</u>			
Completed					
Fac, Log & Admin	279	92	33%	\$4.0M	FY 98
DeCA Vendor Pay	240	165	69%	\$10.1M	FY 98
Debt & Claims	494	191	39%	\$8.5M	FY 99
DeCA Accounting	84	23	27%	\$1.5M	FY 00
Trans Accounting	89	31	35%	\$2.3M	FY 00
Depot Maint Acctng	133	34	26%	\$2.2M	FY 00
Subtotal:	1,319	536	41%	\$28.6M	
In Process*					
Ret Annuitant Pay	650	162		\$ 8.2M	FY 02
Civilian Pay	500	126		\$10.3M	FY 02
Sec Asst Acctg	402	101		\$ 7.6M	FY 02
Subtotal:	1,552	389		\$26.1M	
TOTAL:	2,871	925	32%	\$54.7M	

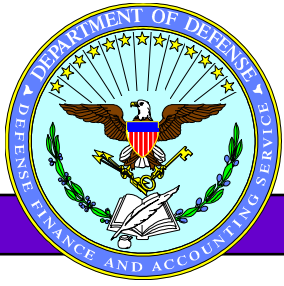
* Savings estimated at 25% and included in the FY01 President's Budget

April 2000



DFAS A-76 Program Improvements

- Extended the ongoing civilian and retiree annuitant pay A-76 studies and initiated a new competitive process
- Conducted working group meetings with private sector associations to revise DFAS A-76 process
- Focused on building fair and open competitions with business partners



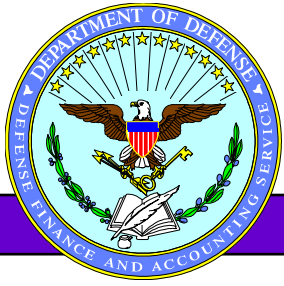
Competitive Sourcing Benefits

- Improve customer service
- Improve business operations
- Reduce costs to our customers



DFAS A-76 Future Studies

- All business areas under consideration for future cost comparisons
- New studies will be announced in coming months



Conclusion

*Provide customer
best value!*